

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Mitchell Township	County Alcona
Fiscal Year End March 31, 2006	Opinion Date June 27, 2006	Date Audit Report Submitted to State October 2, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>	None needed		
Other (Describe)	<input type="checkbox"/>	Not applicable		
Certified Public Accountant (Firm Name) Robertson & Carpenter CPAs, P.C.		Telephone Number 989-826-5442		
Street Address P.O. Box 308		City Mio	State MI	Zip 48647
Authorizing CPA Signature		Printed Name Robert J. Carpenter		License Number #1101008247

Mitchell Township
Alcona County, Michigan
Financial Report
With Supplemental Information
March 31, 2006

Mitchell Township

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INDEPENDENT AUDITOR'S REPORT

Township Board
Mitchell Township
Alcona County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial stateMitchell Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mitchell Township as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on page 2 through page 7 and pages 21-22 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Robertson & Carpenter CPAs, P.C.
Certified Public Accountants
June 27, 2006

Management's Discussion and Analysis

As management of Mitchell Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2006.

Financial Highlights

- The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$609,446 (*net assets*). Of this amount, \$361,680 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations
- The Township's total net assets increased by \$82,196.
- As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$221,083, a decrease of \$5,692 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$205,892 or 195% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and culture and recreation. The Township does not have any business-type activities as of and for the year ended March 31, 2006.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains two governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Fire Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10-11 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-19 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Township, assets exceeded its liabilities by \$609,446 at the close of the most recent fiscal year.

A portion of the Township's net assets (41%) reflects its investment in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	Governmental	Activities
	March 31, 2006	March 31, 2005
Current and Other Assets	366,132	208,639
Capital Assets, Net	247,766	236,623
Total Assets	<u>613,898</u>	<u>445,262</u>
Current Liabilities	4,452	-0-
Long Term Liabilities	<u>-0-</u>	<u>-0-</u>
Total Liabilities	<u>4,452</u>	<u>-0-</u>
Net Assets:		
Invested in Capital Assets	247,766	236,623
Unrestricted	<u>361,680</u>	<u>208,639</u>
Total Net Assets	<u>609,446</u>	<u>445,262</u>

The Township's net assets increased by \$82,196 during the current fiscal year. Unrestricted net assets—the part of net assets that can be used to finance day to day operations, increased by \$153,041 or 73%, during fiscal year 2006.

Township's Changes in Net Assets

	<u>Governmental</u> March 31, 2006	<u>Activities</u> March 31, 2005
Revenue:		
Program Revenue:		
Charges for services	5,760	5,988
Operating Grants and Contributions	79,194	66,048
General Revenue:		
Property Taxes	88,398	90,096
State-Shared Revenues	30,000	32,910
Interest Earnings	4,779	1,156
Other	8,588	3,635
	<hr/>	<hr/>
Total Revenue	216,719	199,833
Expenses:		
General Government	81,625	90,177
Public Safety	46,867	19,747
Public Works	2,484	2,156
Community/Economic Development	3,152	1,986
Culture and Recreation	395	1,720
	<hr/>	<hr/>
Total Expenses	134,523	115,786
Increase in Net Assets	82,196	84,047
Net Assets, Beginning of Year	527,250	443,203
	<hr/>	<hr/>
Net Assets, End of Year	609,446	527,250

Governmental activities. The Township's total governmental revenues increased by \$16,886 from last fiscal year. This was primarily attributed to more revenue from grants. Expenses increased by \$18,737. The increase was primarily due to increased public safety expenses.

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$361,680, an increase of \$71,053 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 57% of this total amount or \$205,892.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 195% and total fund balance represents 209% of total general fund expenditures.

The fund balance of the General Fund decreased by \$5,692 during the current fiscal year.

The Fire Fund levied .7892 mills of property tax for fire protection for the year ending March 31, 2006. The property tax generated \$41,308 of revenue for fire protection services. The fund balance of the fire fund increased by \$76,745 during the current fiscal year.

Governmental Funds Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General and Fire Funds. Each of the budgeted funds was amended during the year.

Capital Asset and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2006, amounted to \$242,698 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$23,338 for the fiscal year.

Township's Capital Assets (net of depreciation)

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
Land	5,000	5,000
Buildings	19,117	3,783
Equipment	2,263	2,942
Land Improvements – Fire Dept	8,619	9,213
Buildings – Fire Dept	99,250	102,700
Equipment – Fire Dept	80,918	83,591
Park Improvements	4,700	-0-
Infrastructure	27,899	29,394
Total	<u>247,766</u>	<u>236,623</u>

Additional information on the Township's capital assets can be found in note 5 on page 18 of this report.

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2006-2007 fiscal year:

- The Township is anticipating a slight increase in General Fund revenues in the amount of \$3,300. General Fund expenses have been increased in Public Works for road work (\$60,500) and other areas reflecting inflationary costs. The Fire Fund anticipates receiving a Federal grant in the amount of \$124,000 for the final payment on the purchase of a new fire truck. The Fire Fund expenses have been increased for additional capital outlay of \$124,000. Our budgets were prepared with these factors in mind and will be revised as needed.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mitchell Township
6849 W. Tower Road
Curran, Michigan 48728

Basic Financial Statements

Mitchell Township
Statement of Net Assets
March 31, 2006

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents (Note 3)	\$ 209,747
Receivables: (Note 4)	
Other	-
Intergovernmental	11,701
Due from Fiduciary Fund	80,939
Deposit on equipment	63,745
Capital assets-net (Note 5)	<u>247,766</u>
 Total assets	 <u>613,898</u>
 Liabilities	
Current Liabilities:	
Accounts payable	2,498
Deferred revenue	<u>1,954</u>
 Total liabilities	 <u>4,452</u>
 Net Assets	
Invested in capital assets	247,766
Unrestricted	<u>361,680</u>
 Total net assets	 \$ <u><u>609,446</u></u>

See accompanying notes to financial statements.

Mitchell Township
Statement of Activities
Year Ended March 31, 2006

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities				
General government	\$ 81,625	\$ 3,832	\$ 12,049	\$ (65,744)
Public safety	46,867	1,928	-	(44,939)
Public works	2,484	-	67,145	64,661
Comm./econ. development	3,152	-	-	(3,152)
Culture and recreation	395	-	-	(395)
Total governmental activities	<u>\$ 134,523</u>	<u>\$ 5,760</u>	<u>\$ 79,194</u>	<u>(49,569)</u>
General Revenues:				
Property taxes - operating				47,009
Property taxes - fire				41,389
State-shared revenues				30,000
Interest and investment earnings				4,779
Other				8,588
Total general revenues				<u>131,765</u>
Change in Net Assets				<u>82,196</u>
Net assets - beginning of year				<u>527,250</u>
Net assets - end of year				<u>\$ 609,446</u>

Amounts reported for governmental activities are different because:

Net Change in Fund Balances - Total Governmental Funds	\$ 71,053
Government funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	\$ (12,195)
Capital outlay	<u>23,338</u>
	<u>11,143</u>
Change in Net Assets of Governmental Activities	<u>\$ 82,196</u>

See accompanying notes to financial statements.

Mitchell Township
Governmental Funds
Balance Sheet
March 31, 2006

	General Fund	Fire Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 173,829	\$ 35,918	\$ 209,747
Accounts receivable	-	-	-
Property taxes receivable	-	-	-
Due from other funds	43,030	37,909	80,939
Due from other governmental units	8,270	3,431	11,701
Deposit on equipment	-	63,745	63,745
Total assets	<u>\$ 225,129</u>	<u>\$ 141,003</u>	<u>\$ 366,132</u>
Liabilities			
Accounts payable	\$ 2,092	\$ 406	\$ 2,498
Due to other funds	-	-	-
Due to other governments	-	-	-
Deferred revenue	1,954	-	1,954
Total liabilities	<u>4,046</u>	<u>406</u>	<u>4,452</u>
Fund balances			
Reserved:			
Roads	12,049	-	12,049
Metro Act	3,142	-	3,142
Unreserved:			
Undesignated:			
General Fund	205,892	-	205,892
Fire Fund	-	140,597	140,597
Total fund balances	<u>221,083</u>	<u>140,597</u>	<u>361,680</u>
Total liabilities and fund balances	<u>\$ 225,129</u>	<u>\$ 141,003</u>	<u>\$ 366,132</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Fund Balances - Total Governmental Funds	\$ 361,680
Elimination of due to and due from governmental funds	
Due to	-
Due from	-
Capital assets used in governmental activities are not financial financial resources, and are not reported in the funds.	
The cost of capital assets is	330,670
Accumulated depreciation is	(82,904)
Net Assets of Governmental Activities	<u>\$ 609,446</u>

See accompanying notes to financial statements.

Mitchell Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended March 31, 2006

	General Fund	Fire Fund	Total Governmental Funds
Revenues			
Taxes and fees	\$ 47,009	\$ 41,389	\$ 88,398
Licenses and permits	1,332	-	1,332
Federal grants	12,049	63,745	75,794
State grants	30,000	3,400	33,400
Charges for services	1,750	1,928	3,678
Interest and rentals	5,034	495	5,529
Other revenue	2,650	5,938	8,588
Total revenues	<u>99,824</u>	<u>116,895</u>	<u>216,719</u>
Expenditures			
Current:			
General government	80,542	-	80,542
Public safety	-	37,350	37,350
Public works	989	-	989
Community/economic development	3,152	-	3,152
Culture and recreation	295	-	295
Other	-	-	-
Capital outlay	20,538	2,800	23,338
Total expenditures	<u>105,516</u>	<u>40,150</u>	<u>145,666</u>
Excess of Revenues Over (Under)			
Expenditures	(5,692)	76,745	71,053
Fund balance - April 1, 2005	<u>226,775</u>	<u>63,852</u>	<u>290,627</u>
Fund balance - March 31, 2006	<u><u>\$ 221,083</u></u>	<u><u>\$ 140,597</u></u>	<u><u>\$ 361,680</u></u>

See accompanying notes to financial statements.

Mitchell Township
Fiduciary Funds
Statement of Net Assets
March 31, 2006

	Agency Fund Type (Property Tax Collection Fund)
Assets	
Cash	\$ 133,036
Investments - at fair value	-
Due from other funds	-
	<hr/>
Total assets	\$ <u><u>133,036</u></u>
Liabilities	
Accounts payable	\$ -
Due to other funds	80,939
Due to other governments	52,097
Due to individuals	-
	<hr/>
Total liabilities	\$ <u><u>133,036</u></u>
Net Assets	\$ <u><u>-</u></u>

See accompanying notes to financial statements.

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Mitchell Township ("the Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the more significant policies used by the Township:

Reporting Entity

The Township is governed by an elected five member Township Board. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application criteria, the Township does not contain any component units.

Government-wide and Fund Financial Statements

The Government-side financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a certain function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Fire Fund is used to record property tax revenue, Federal and State grants restricted for providing fire protection services and purchasing fire equipment.

Additionally, the Township reports the following funds:

The Tax Collection Fund accounts for property taxes collected and disbursed to other taxing authorities by the Township as required by law.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided and (2) operating grants and contributions. General revenue includes all taxes.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Mitchell Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between fund that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. The taxpayers of the Township have their properties assessed as of December 31 and the related property taxes are levied and become a lien on December 1 for 100% of the taxes which are due February 28. The 2005 taxable value of the Township was \$52,336,873. The 2005 tax levy was .5443 mills for general operations raising \$28,487 for general operating purposes, .7892 mills for fire protection raising \$41,308 for fire protection purposes.

Capital Assets - Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., amounts paid to the Road Commission for the intangible right to use the roads), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of the donation. Infrastructure assets acquired prior to implementation of GASB 34 are not included in the financial statements.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Infrastructure	20 years
Land Improvements	20 years
Buildings and additions	20-50 years
Equipment	5-20 years

Compensated Absences - There is no liability for compensated absences reported in the government-wide financial statements since no township employees are provided with sick or vacation pay benefits.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriating or are legally restricted by outside parties for use for a specific purpose. The Township had a reserved fund balance at March 31, 2006 of \$12,049 for road expenses and \$3,142 for Metro Act expenses. Designations of fund balance represent tentative management plans that are subject to change. The Township did not have a designated fund balance at March 31, 2006.

Mitchell Township
Notes to Financial Statements
March 31, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Comparative Data/Reclassifications - Comparative data is not included in the Township's financial statements.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted account principles and state laws for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township adopt its budgets by April 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budget during the year.

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until the receipt of materials or services. For budgetary purposes, appropriations lapse at fiscal year end and outstanding encumbrances are reappropriated in the next year.

Note 2 - Stewardship, Compliance and Accountability

Excess of expenditures over appropriations in budgeted funds:

The Township incurred expenditures in excess of amounts budgeted as follows:

<u>Fund and Function</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
General:			
General Government:			
Supervisor	\$ 13,750	\$ 14,913	\$ 1,163
Assessor	2,000	2,806	806
Clerk	10,500	10,532	32
Public Works:			
Street lighting	-	963	963
Capital Outlay	-	20,538	20,538
Fire:			
Public Safety:			
Fire runs	3,500	3,920	420
Physicals	-	40	40
Fees	-	243	243
Contracted accounting	-	70	70
Extended service	-	60	60
Postage	-	39	39
Departmental meetings	-	1,260	1,260
Mileage	2,000	2,006	6
Vehicle maintenance	2,000	2,213	213

Mitchell Township
Notes to Financial Statements
March 31, 2006

Note 3 - Deposits and Investments

Michigan Compiled Laws, Section 129.91 authorizes the Township to make deposits and investments in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Township is also allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investments in accordance with State statutory authority as listed above.

At year-end, Mitchell Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Township Total
Cash and cash equivalents	\$ 209,747	\$ 133,036	\$ 342,783
Investments	-	-	-
Total	<u>\$ 209,747</u>	<u>\$ 133,036</u>	<u>\$ 342,783</u>

The breakdown between deposits and investments for the Township is as follows:

Deposits (checking and savings)	\$ 342,583
Investments	-
Total	<u>\$ 342,583</u>

The deposits of the Township were reflected in the accounts of one financial institution, of which \$200,000 is covered by federal depository insurance.

Note 4 - Receivables

Receivables as of year-end for the Township's major funds, non-major funds and fiduciary funds in the aggregate including applicable allowances of uncollectible accounts are as follows:

Receivables:	General Fund	Fire Fund	Tax Coll. Fund	Total
Other	\$ -	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Intergovernmental	8,270	3,431	-	11,701
	<u>\$ 8,270</u>	<u>\$ 3,431</u>	<u>\$ -</u>	<u>\$ 11,701</u>

Mitchell Township
Notes to Financial Statements
March 31, 2006

Note 4 - Receivables (Continued)

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Township had deferred revenue of \$1,954 for the Black Bear Festival.

Note 5 - Capital Assets

Capital assets activity of the Township's Governmental activities were as follows:

	Balance April 1, 2005	Additions	Deletions	Balance March 31, 2006
Capital assets not being depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated:				
Buildings	34,585	15,738	-	50,323
Equipment	6,000	-	-	6,000
Land improvements - fire department	11,888	-	-	11,888
Buildings - fire department	134,000	-	-	134,000
Equipment - fire department	85,967	2,800	-	88,767
Park improvements	-	4,800	-	4,800
Infrastructure	29,892	-	-	29,892
Subtotal	<u>302,332</u>	<u>23,338</u>	<u>-</u>	<u>325,670</u>
Accumulated Depreciation				
Buildings	30,802	404	-	31,206
Equipment	3,058	679	-	3,737
Land improvements - fire department	2,675	594	-	3,269
Buildings - fire department	31,300	3,450	-	34,750
Equipment - fire department	2,376	5,473	-	7,849
Park improvements	-	100	-	100
Infrastructure	498	1,495	-	1,993
Subtotal	<u>70,709</u>	<u>12,195</u>	<u>-</u>	<u>82,904</u>
Net capital assets being depreciated	<u>231,623</u>	<u>11,143</u>	<u>-</u>	<u>242,766</u>
Governmental Activities				
Total Capital Assets net of Depreciation	<u>\$ 236,623</u>	<u>\$ 11,143</u>	<u>\$ -</u>	<u>\$ 247,766</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,083
Public safety	9,517
Public works	1,495
Culture & recreation	100
Total governmental activities	<u>\$ 12,195</u>

Mitchell Township
Notes to Financial Statements
March 31, 2006

Note 6 - Receivables, Payables and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>		<u>Amount</u>
General Fund	\$ 43,030	Fiduciary Fund	\$	80,939
Fire Fund	37,909			
Total	\$ <u>80,939</u>	Total	\$	<u>80,939</u>
<u>Transfers In</u>	None	<u>Transfers Out</u>	None	

Note 7 - Risk Management

Goodar Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by insurance purchased from independent insurance companies. Settled claims from these risks have not exceeded insurance coverage for the last three years.

Note 8 - Pension Plan

Goodar Township provides pension benefits for the Township Board through a defined contribution plan. The plan is administered by Lappan Insurance Agency, Inc., which invests the Township's contributions with an insurance company. The investments consist of individual retirement annuities.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account.

The plan requires the Township to contribute 14.0% of the participant's earnings. The contributions for each participant are fully vested when paid to the plan. A participant that leaves the employment of the Township is entitled to the balance in his individual annuity account.

The Township's total payroll for the year ended March 31, 2006 was approximately \$53,450. The payroll of the eligible participants was \$39,200; the Township made the required contribution of \$5,488.

No pension provision changes occurred during the year affected the required contributions to be made by the Township.

The plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

Required Supplemental Information

Mitchell Township
 Budgetary Comparison Schedule - General Fund
 Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	3/31/06	3/31/06	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 171,020	\$ 171,020	\$ 226,775	\$ 55,755
Resources (Inflows)				
Taxes and fees	47,900	47,900	47,009	(891)
Licenses and permits	1,034	1,034	1,332	298
Federal grants	6,000	6,000	12,049	6,049
State grants	33,276	33,276	30,000	(3,276)
Intergovernmental	5,000	5,000	-	(5,000)
Charges for services	1,200	1,200	1,750	550
Interest and rentals	4,500	4,500	5,034	534
Other	200	200	2,650	2,450
Amounts available for appropriation	<u>270,130</u>	<u>270,130</u>	<u>326,599</u>	<u>56,469</u>
Charges to Appropriations (Outflows)				
General government	92,250	92,250	80,542	(11,708)
Public works	57,000	57,000	989	(56,011)
Community/economic development	4,800	4,800	3,152	1,648
Culture and recreation	4,000	4,000	295	(3,705)
Other	10,000	10,000	-	10,000
Capital outlay	-	-	20,538	20,538
Total charges to appropriations	<u>168,050</u>	<u>168,050</u>	<u>105,516</u>	<u>(39,238)</u>
Fund Balance - end of year	\$ <u>102,080</u>	\$ <u>102,080</u>	\$ <u>221,083</u>	\$ <u>95,707</u>

Mitchell Township
 Budgetary Comparison Schedule - Fire Fund
 Year Ended March 31, 2006

	Budgeted Amounts		Actual	Variance with
	3/31/06	3/31/06	Amounts	Final Budget
	Original	Final	Budgetary	Over (Under)
			Basis	
Fund Balance - Beginning of year	\$ 23,947	\$ 23,947	\$ 63,852	\$ 39,905
Resources (Inflows)				
Taxes and fees	40,000	40,000	41,389	1,389
Federal grants	-	-	63,745	63,745
State grants	-	-	3,400	3,400
Charges for services	-	-	1,928	1,928
Interest and rentals	-	-	495	495
Other	4,000	4,000	5,938	1,938
Amounts available for appropriation	<u>67,947</u>	<u>67,947</u>	<u>180,747</u>	<u>112,800</u>
Charges to Appropriations (Outflows)				
Public safety	57,050	57,050	37,350	(19,700)
Capital outlay	10,000	10,000	2,800	(7,200)
Total charges to appropriations	<u>67,050</u>	<u>67,050</u>	<u>40,150</u>	<u>(26,900)</u>
Fund Balance - end of year	\$ <u>897</u>	\$ <u>897</u>	\$ <u>140,597</u>	\$ <u>139,700</u>

Supplemental Information

Mitchell Township
General Fund
Detail of Revenues - Budget and Actual
Year Ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
TAXES:			
Property taxes	\$ -	\$ 28,574	\$ -
Property tax administration fee	-	18,435	-
TOTAL TAXES	47,900	47,009	(891)
LICENSES AND PERMITS			
Land use permits	1,034	1,332	298
FEDERAL GRANTS:			
Payments in lieu	6,000	12,049	6,049
STATE GRANTS:			
State shared revenue	-	27,067	-
Metro Act	-	2,170	-
Payments in lieu	-	763	-
TOTAL STATE GRANTS	33,276	30,000	(3,276)
INTERGOVERNMENTAL	5,000	-	(5,000)
CHARGES FOR SERVICES:			
Fire Department bookkeeping	-	900	-
Burials	-	350	-
Cemetery lots	-	500	-
TOTAL CHARGES FOR SERVICES	1,200	1,750	550
INTEREST AND RENTALS:			
Interest	3,000	3,696	696
Royalties	-	588	588
Township Hall rent	1,500	750	(750)
TOTAL INTEREST AND RENTALS	4,500	5,034	534
OTHER REVENUE			
Miscellaneous	200	2,650	2,450
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 99,110	\$ 99,824	\$ 714

Mitchell Township
General Fund
Detail of Expenditures - Budget and Actual
Year Ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT:			
Township Board:			
Trustees salaries		\$ 2,700	
Dues & fees		847	
Printing & publishing		517	
Legal & accounting		173	
Insurance		12,696	
Retirement expense		5,488	
Payroll taxes		810	
Black Bear festival		2,551	
Internet services		750	
Total	\$ 26,600	26,532	\$ 68
Supervisor:			
Salary		14,400	
Supplies		-	
Seminars		445	
Mileage		68	
Miscellaneous		-	
Total	13,750	14,913	(1,163)
Elections:			
Wages		-	
Supplies		42	
Miscellaneous		-	
Total	1,000	42	958
Assessor:			
Supplies		318	
Software		400	
Postage		634	
Fees		75	
Seminars		35	
Mileage		1,144	
Telephone		200	
Total	2,000	2,806	(806)

Mitchell Township
General Fund
Detail of Expenditures - Budget and Actual
Year Ended March 31, 2006

	<u>Budget as Amended</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
GENERAL GOVERNMENT (Continued)			
Clerk:			
Salary - clerk		\$ 9,300	
Supplies		361	
Software		299	
Postage		140	
Seminars		160	
Mileage		272	
	<u> </u>	<u> </u>	<u> </u>
Total	\$ 10,500	10,532	\$ (32)
	<u> </u>	<u> </u>	<u> </u>
Board of Review:			
Wages		610	
Seminars		225	
Publications		27	
Mileage		44	
	<u> </u>	<u> </u>	<u> </u>
Total	1,000	906	94
	<u> </u>	<u> </u>	<u> </u>
Treasurer:			
Salary - treasurer		12,000	
Supplies		48	
Postage		1,110	
Mileage		18	
	<u> </u>	<u> </u>	<u> </u>
Total	14,000	13,176	824
	<u> </u>	<u> </u>	<u> </u>
Township Hall:			
Wages		500	
Supplies		320	
Equipment - non capitalized		673	
Refuse removal		503	
Septic		300	
Mileage		160	
Electric		687	
Propane		2,118	
Telephone		621	
Mowing		4,500	
Snow plowing		360	
Other		50	
	<u> </u>	<u> </u>	<u> </u>
Total	20,000	10,792	9,208
	<u> </u>	<u> </u>	<u> </u>

Mitchell Township
General Fund
Detail of Expenditures - Budget and Actual
Year Ended March 31, 2006

	Budget as Amended	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT (Continued)			
Cemetery:			
Grounds maintenance		\$ 380	
Grave opening & closing		463	
Total	\$ 3,400	843	\$ 2,557
TOTAL GENERAL GOVERNMENT	92,250	80,542	11,708
PUBLIC WORKS:			
Roads	57,000	26	56,974
Street Lighting	-	963	(963)
TOTAL PUBLIC WORKS	57,000	989	56,011
COMMUNITY/ECONOMIC DEVELOPMENT:			
Zoning:			
Salary	-	1,850	-
Member per-diem	-	240	-
Fees	-	2	-
Seminars	-	840	-
Publications	-	25	-
Mileage	-	195	-
TOTAL COMM./ECON. DEVELOPMENT	4,800	3,152	1,648
RECREATION AND CULTURE:			
Parks:			
Septic		295	
Other		-	
TOTAL RECREATION & CULTURE	4,000	295	3,705
OTHER			
Contingency	10,000	-	10,000
CAPITAL OUTLAY	-	20,538	(20,538)
TOTAL EXPENDITURES	\$ 168,050	\$ 105,516	\$ 62,534

Mitchell Township
Fire Fund
Statement of Revenues and Other Financing Sources, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property Tax	\$ 40,000	\$ 41,389	\$ 1,389
Federal Grants	-	63,745	63,745
State Grants	-	3,400	3,400
Charges for services	-	1,928	1,928
Interest	-	495	495
Other revenue	4,000	5,938	1,938
	<u>44,000</u>	<u>116,895</u>	<u>72,895</u>
Total Revenues	<u>44,000</u>	<u>116,895</u>	<u>72,895</u>
EXPENDITURES			
Public Safety			
Fire Department			
Payroll taxes	5,000	1,052	3,948
Fire chief salary	2,700	2,700	-
Supplies	2,000	1,181	819
Dues	200	50	150
Assistant chief salary	1,200	1,200	-
Seminars and meetings	5,000	4,133	867
Medical runs	2,500	1,605	895
Fire runs	3,500	3,920	(420)
Equipment maintenance - wages	1,500	510	990
Recordkeeping	1,800	1,800	-
Physicals	-	40	(40)
Fees	-	243	(243)
Contracted accounting	-	70	(70)
Fire reports	1,000	875	125
Extended service	-	60	(60)
Postage	-	39	(39)
Departmental meetings	-	1,260	(1,260)
Equipment - non capitalized	12,000	8,073	3,927
Mileage	2,000	2,006	(6)
Fuel	1,500	867	633
Vehicle maintenance	2,000	2,213	(213)
Fire hall	4,150	3,453	697
Contingency	9,000	-	9,000
Total Public Safety	<u>57,050</u>	<u>37,350</u>	<u>19,700</u>
Capital Outlay	<u>10,000</u>	<u>2,800</u>	<u>7,200</u>
Total Expenditures	<u>67,050</u>	<u>40,150</u>	<u>26,900</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,050)	76,745	99,795
FUND BALANCE - April 1	<u>23,947</u>	<u>63,852</u>	<u>39,905</u>
FUND BALANCE - March 31	<u>\$ 897</u>	<u>\$ 140,597</u>	<u>\$ 139,700</u>

Mitchell Township
Statement of Changes in Assets and Liabilities
All Agency Funds
March 31, 2006

Current Tax Collection Fund				
	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Assets				
Cash	\$ 78,419	\$ 1,721,799	\$ 1,667,182	\$ 133,036
Liabilities				
Due to other funds	\$ 78,368	\$ 81,108	\$ 78,537	\$ 80,939
Due to county	51	595,808	595,684	175
Due to schools	-	1,044,863	992,941	51,922
Refunds	-	20	20	-
Total liabilities	\$ 78,419	\$ 1,721,799	\$ 1,667,182	\$ 133,036